

CITY OF OSCEOLA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-7
Basic Financial Statements:		
	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	9
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	10
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	C	11
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	12
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	E	13
Notes to Financial Statements		14-29
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds		31
Notes to Other Information - Budgetary Reporting		32
Schedule of the City's Proportionate Share of the Net Pension Liability		33
Schedule of City Contributions		34
Notes to Other Information - Pension Liability		35
Supplementary Information:		
	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	37
Schedule of Indebtedness	2	38
Bond and Note Maturities	3	39
Schedule of Receipts by Source and Disbursements by Function- All Governmental Funds	4	40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		41-42
Schedule of Findings		43-50

City of Osceola

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Thomas J. Kedley	Mayor	January 1, 2020
Doug Gay	Council Member	January 1, 2020
Dan Hooper	Council Member	January 1, 2022
Damon Boyd	Council Member	January 1, 2020
Dr. George Fotiadis	Council Member	January 1, 2022
Dennis Page	Council Member	January 1, 2022
Ty Wheeler	City Administrator/Clerk	Indefinite
Mark Elcock	Attorney	Indefinite

(After January 2020)

Thomas J. Kedley	Mayor	January 1, 2022
Doug Gay	Council Member	January 1, 2024
Dan Hooper	Council Member	January 1, 2022
Damon Boyd*	Council Member	Resigned
Thomas Bahls**	Council Member	January 1, 2024
Dr. George Fotiadis	Council Member	January 1, 2022
Dennis Page	Council Member	January 1, 2022
Ty Wheeler	City Administrator/Clerk	Indefinite
Mark Elcock	Attorney	Indefinite

* - Resigned April 7, 2020.

** - Appointed June 2, 2020.

City of Osceola



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Osceola, Iowa, (City) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require financial data for these component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and the cash basis balances of the aggregate discretely presented component units has not been determined.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2020, or the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the legally separate component units. The financial statements for the three years ended June 30, 2013 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph above, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 31 through 35 has not been subjected to the auditing procedures applied in the audit of the basic statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Faller, Kincheloe & Co., PLC". The signature is written in a cursive, flowing style.

FALLER, KINCHELOE & CO., PLC

February 15, 2021

Basic Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 1,446,056	24,709	6,656	-	(1,414,691)	-	(1,414,691)
Public works	1,595,265	585,929	642,686	19,600	(347,050)	-	(347,050)
Culture and recreation	786,902	87,626	13,547	106,500	(579,229)	-	(579,229)
Community and economic development	440,405	-	-	-	(440,405)	-	(440,405)
General government	1,018,458	197,906	110,874	72,821	(636,857)	-	(636,857)
Debt service	2,459,081	-	-	84,843	(2,374,238)	-	(2,374,238)
Capital projects	2,589,483	-	-	378,328	(2,211,155)	-	(2,211,155)
Total governmental activities	10,335,650	896,170	773,763	662,092	(8,003,625)	-	(8,003,625)
Business type activities:							
Sewer	6,559,441	1,419,030	44,411	200,000	-	(4,896,000)	(4,896,000)
Golf course	206,098	84,464	100,405	-	-	(21,229)	(21,229)
Total business type activities	6,765,539	1,503,494	144,816	200,000	-	(4,917,229)	(4,917,229)
Total	\$ 17,101,189	2,399,664	918,579	862,092	(8,003,625)	(4,917,229)	(12,920,854)
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					1,807,929	-	1,807,929
Debt service					889,273	-	889,273
Tax increment financing					657,792	-	657,792
Hotel motel tax					251,614	-	251,614
Local option sales tax					929,295	-	929,295
Gaming wager tax					897,117	-	897,117
Other city tax					186,333	-	186,333
Unrestricted interest on investments					25,974	-	25,974
Rent					7,200	-	7,200
Revenue bond proceeds (net of \$210,081 premium)					-	5,210,081	5,210,081
Interim revenue project notes					474,000	-	474,000
Miscellaneous					14,667	-	14,667
Sale of capital assets					20,532	-	20,532
Transfers					177,438	(177,438)	-
Total general receipts and transfers					6,339,164	5,032,643	11,371,807
Change in cash basis net position					(1,664,461)	115,414	(1,549,047)
Cash basis net position beginning of year					4,816,747	852,030	5,668,777
Cash basis net position end of year					\$ 3,152,286	967,444	4,119,730
Cash Basis Net Position							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 106,240	-	106,240
Library					1,755	-	1,755
Expendable:							
Streets					209,182	-	209,182
Tax increment financing					151,468	-	151,468
Library					254,301	-	254,301
Debt service					446,246	436,900	883,146
Parks					130,983	-	130,983
Unspent bond monies					1,339,411	-	1,339,411
Other purposes					374,295	-	374,295
Unrestricted					138,405	530,544	668,949
Total cash basis net position					\$ 3,152,286	967,444	4,119,730

See notes to financial statements.

City of Osceola

Exhibit B

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue					Total
	General	Local Option Sales Tax	Road Use Tax	Debt Service	Capital Projects	
Receipts:						
Property tax	\$1,682,326	-	-	889,273	-	2,697,203
Tax increment financing	-	-	-	-	-	657,792
Other city tax	1,119,922	929,295	-	-	-	2,264,361
Licenses and permits	97,237	-	-	-	-	97,237
Use of money and property	83,573	-	-	-	-	83,629
Intergovernmental	59,730	-	653,165	-	328,427	1,041,322
Charges for service	601,043	-	-	-	-	601,043
Miscellaneous	286,452	-	20,745	84,843	49,900	556,632
Total receipts	3,930,283	929,295	673,910	974,116	378,327	7,999,219
Disbursements:						
Operating:						
Public safety	1,184,520	-	-	-	-	1,457,824
Public works	527,450	-	962,390	-	-	1,600,364
Culture and recreation	630,031	-	-	-	-	790,825
Community and economic development	144,455	167,025	-	-	-	441,582
General government	778,960	-	-	-	-	1,031,180
Debt service	-	-	-	2,212,591	-	2,459,081
Capital projects	-	-	-	-	2,589,483	2,589,483
Total disbursements	3,265,416	167,025	962,390	2,212,591	2,589,483	10,370,339
Excess (deficiency) of receipts over (under) disbursements	664,867	762,270	(288,480)	(1,238,475)	(2,211,156)	(2,371,120)
Other financing sources (uses):						
Interim revenue project notes	-	-	-	-	474,000	474,000
Sale of capital assets	7,458	-	13,074	-	-	20,532
Transfers in	50,000	3,108	125,807	1,247,499	139,122	2,104,540
Transfers out	(740,030)	(543,913)	(93,105)	-	-	(1,927,102)
Total other financing sources (uses)	(682,572)	(540,805)	45,776	1,247,499	613,122	671,970
Change in cash balances	(17,705)	221,465	(242,704)	9,024	(1,598,034)	(1,699,150)
Cash balances beginning of year	1,351,461	61,997	451,886	437,222	2,108,351	4,805,132
Cash balances end of year	\$1,333,756	283,462	209,182	446,246	510,317	3,105,982
Cash Basis Fund Balances						
Nonspendable:						
Cemetery perpetual care	\$ -	-	-	-	-	106,240
Library	-	-	-	-	-	1,755
Restricted for:						
Streets	-	-	209,182	-	-	209,182
Tax increment financing	-	-	-	-	-	151,468
Library	-	-	-	-	-	254,301
Debt service	-	-	-	446,246	-	446,246
Parks	130,983	-	-	-	-	130,983
Unspent bond monies	191,912	-	-	-	1,147,499	1,339,411
Other purposes	61,302	283,462	-	-	-	374,295
Unassigned	949,559	-	-	-	(637,182)	92,101
Total cash basis fund balances	\$1,333,756	283,462	209,182	446,246	510,317	3,105,982

See notes to financial statements.

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2020

Total governmental funds cash balances (page 10) \$ 3,105,982

***Amounts reported for governmental activities in the Cash Basis Statement
of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds and the cost of the flex plan. A portion of the cash balances of the Internal Service Funds are included in governmental activities in the Cash Basis Statement of Activities and Net Position.

46,304

Cash basis net position of governmental activities (page 9) \$ 3,152,286

Change in cash balances (page 10) \$ (1,699,150)

***Amounts reported for governmental activities in the Cash Basis Statement
of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds and the cost of the flex plan. A portion of the change in cash balances of the Internal Service Funds are reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

34,689

Change in cash basis net position of governmental activities (page 9) \$ (1,664,461)

See notes to financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2020

	Enterprise			Internal
	Nonmajor -			Service
	Sewer	Golf Course	Total	Employee Health
Operating receipts:				
Rental of facilities	\$ -	40,562	40,562	-
Charges for service	1,419,030	43,902	1,462,932	550,157
Miscellaneous	44,411	100,405	144,816	21,357
Total operating receipts	1,463,441	184,869	1,648,310	571,514
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	149,752
Public works	-	-	-	68,105
Culture and recreation	-	-	-	49,871
Community and economic development	-	-	-	15,087
General government	-	-	-	181,985
Business type activities	788,587	158,034	946,621	67,497
Total operating disbursements	788,587	158,034	946,621	532,297
Excess of operating receipts over operating disbursements	674,854	26,835	701,689	39,217
Non-operating receipts (disbursements):				
Intergovernmental	200,000	-	200,000	-
Interest on investments	-	-	-	8
Revenue bond proceeds (net of \$210,081 premium)	5,210,081	-	5,210,081	-
Debt service	(5,643,018)	-	(5,643,018)	-
Capital projects	(132,372)	(48,064)	(180,436)	-
Net non-operating receipts (disbursements)	(365,309)	(48,064)	(413,373)	8
Excess (deficiency) of receipts over (under) disbursements	309,545	(21,229)	288,316	39,225
Other financing sources (uses):				
Transfers out	(177,438)	-	(177,438)	-
Total other financing sources (uses)	(177,438)	-	(177,438)	-
Change in cash balances	132,107	(21,229)	110,878	39,225
Cash balances beginning of year	861,299	(11,652)	849,647	13,998
Cash balances end of year	\$ 993,406	(32,881)	960,525	53,223
Cash Basis Fund Balances				
Restricted for debt service	\$ 436,900	-	436,900	-
Unrestricted	556,506	(32,881)	523,625	53,223
Total cash basis fund balances	\$ 993,406	(32,881)	960,525	53,223

See notes to financial statements.

City of Osceola

Exhibit E

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds

As of and for the year ended June 30, 2020

Total enterprise funds cash balances (page 12) \$ 960,525

*Amounts reported for business type activities in the Cash Basis Statement
of Activities and Net Position are different because:*

The Internal Service Funds are used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds and the cost of the flex plan. A portion of the cash balances of the Internal Service Funds are included in business type activities in the Cash Basis Statement of Activities and Net Position.

6,919

Cash basis net position of business type activities (page 9)

\$ 967,444

Change in cash balances (page 12)

\$ 110,878

*Amounts reported for business type activities in the Cash Basis Statement
of Activities and Net Position are different because:*

The Internal Service Funds are used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds and the cost of the flex plan. A portion of the change in the cash balances of the Internal Service Funds are reported with business type activities in the Cash Basis Statement of Activities and Net Position.

4,536

Change in cash basis net position of business type activities (page 9)

\$ 115,414

See notes to financial statements.

City of Osceola

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Osceola (City) is a political subdivision of the State of Iowa located in Clarke County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general governmental services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although their operational or financial relationship with the City are significant.

Excluded Component Units

- The Osceola Public Library Foundation was established under Chapter 504 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The purpose of the Osceola Public Library Foundation is to support the activities of the Osceola, Iowa public library.
- The Osceola Volunteer Firefighter's Association was established under Chapter 504 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The purpose of the Osceola Volunteer Firefighter's Association is to support the activities of the Osceola, Iowa fire department.
- The Osceola Municipal Waterworks (Waterworks) was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Waterworks is governed by a five member Board of Trustees appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Waterworks administrative office.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clarke County Reservoir Commission, Clarke County Assessor's Conference Board, Emergency Management Commission, Clarke County Development Corporation, the Main Street Board and the Clarke County Jail and Law Enforcement Center.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and the proprietary funds. Major individual governmental funds and the major individual enterprise fund is reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Local Option Sales Tax Fund is used to account for local option sales tax collections and related disbursements of these funds in accordance with the ballot referendum.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost-reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public works, community and economic development, general government, debt service and the business type activities functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) **Bonds and Notes Payable**

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds and Notes	\$ 6,525,000	-	1,425,000	5,100,000	945,000
Direct Placements:					
General Obligation Annual Appropriation Bonds and Notes	611,350	-	70,221	541,129	58,397
General Obligation Annual Appropriation Bonds and Notes	4,475,000	-	385,000	4,090,000	395,000
Direct Borrowings:					
Casino Revenue Note	1,963,934	-	141,534	1,822,400	145,566
Governmental activities total	<u>\$ 13,575,284</u>	<u>-</u>	<u>2,021,755</u>	<u>11,553,529</u>	<u>1,543,963</u>
Business type activities:					
Sewer Revenue Bonds and Notes	\$ 4,912,651	5,000,000	5,277,651	4,635,000	300,000
Direct Borrowings:					
Sewer Revenue Project Notes	1,277,500	474,000	200,000	1,551,500	1,277,500
Business-type activities total	<u>\$ 6,190,151</u>	<u>5,474,000</u>	<u>5,477,651</u>	<u>6,186,500</u>	<u>1,577,500</u>

General Obligation Bonds and Notes

A summary of the City's June 30, 2020 general obligation bonds and notes payable is as follows:

Year Ending June 30,	Corporate Purpose and Refunding Series 2014 Issued June 17, 2014			Corporate Purpose and Refunding Series 2015 Issued November 19, 2015		
	Interest		Interest	Interest		Interest
	Rates	Principal		Rates	Principal	
2021	2.00%	\$ 480,000	35,775	1.55%	\$ 365,000	40,535
2022	2.00%	495,000	26,175	2.00%	370,000	33,235
2023	2.25%	505,000	16,275	2.50%	375,000	25,835
2024	2.75%	105,000	4,913	2.10%	385,000	16,460
2025	2.75%	110,000	3,025	2.50%	165,000	8,375
2026-2030		-	-	2.50%	170,000	4,250
2030-2034		-	-		-	-
		<u>\$1,695,000</u>	<u>86,163</u>		<u>\$1,830,000</u>	<u>128,690</u>

Year Ending June 30,	Corporate Purpose and Refunding Series 2019 Issued June 28, 2019			Total		
	Interest		Interest	Principal	Interest	Total
	Rates	Principal				
2021	3.00%	\$ 100,000	46,930	945,000	123,240	1,068,240
2022	3.00%	100,000	43,930	965,000	103,340	1,068,340
2023	3.00%	100,000	40,930	980,000	83,040	1,063,040
2024	3.00%	100,000	37,930	590,000	59,303	649,303
2025	2.10%	105,000	34,930	380,000	46,330	426,330
2026-2030	2.10-4.00%	560,000	138,655	730,000	142,905	872,905
2030-2034	3.00-4.00%	510,000	40,200	510,000	40,200	550,200
		<u>\$1,575,000</u>	<u>383,505</u>	<u>5,100,000</u>	<u>598,358</u>	<u>5,698,358</u>

On November 30, 2011, the City issued \$3,360,000 of general obligation refunding bonds with interest rates ranging from 0.65% to 2.10% per annum. The bonds were issued to refund the outstanding balance of the City's General Obligation Corporate Purpose and Refunding Bonds, dated September 1, 2005. During the year ended June 30, 2020, the City paid \$500,000 of principal and \$10,500 of interest on the bonds.

On June 17, 2014, the City issued \$4,035,000 of general obligation corporate purpose and refunding bonds with interest rates ranging from 2.00% to 2.75% per annum. The bonds were issued to pay the costs of constructing street, sanitary, sewer, storm sewer and sidewalk improvements, constructing improvements to the municipal parking lot at the City marina, and refund the outstanding balance of the City's General Obligation Annual Appropriation Corporate Purpose Bonds, Series 2007B. During the year ended June 30, 2020, the City paid \$475,000 of principal and \$46,275 of interest on the bonds.

On November 19, 2015, the City issued \$3,005,000 of general obligation corporate purpose and refunding bonds with interest rates ranging from 2.00% to 2.50% per annum. The bonds were issued to pay the costs of constructing street and related improvements, acquiring equipment for the fire department, refunding the General Obligation Corporate Purpose Bonds, Series 2009, and paying certain costs of issuance related to the Bonds. During the year ended June 30, 2020, the City paid \$360,000 of principal and \$47,735 of interest on the bonds.

On June 28, 2019, the City issued \$1,665,000 of general obligation corporate purpose and refunding bonds with interest rates ranging from 2.10% to 4.00% per annum. The bonds were issued to pay the costs of constructing sidewalk and landfill improvements, demolishing blighted properties, acquiring a snow plow for the street department, acquiring a records management and dispatch system for the police department, and refunding the outstanding balances of the City's General Obligation Street Improvement Note, dated October 14, 2016, and General Obligation Urban Renewal Note, dated December 1, 2017, and paying certain costs of issuance related to the Bonds. During the year ended June 30, 2020, the City paid \$90,000 of principal and \$45,908 of interest on the bonds.

Direct Placements - General Obligation Annual Appropriation Bonds and Notes

A summary of the City's June 30, 2020 direct placements general obligation annual appropriation bonds and notes payable is as follows:

Year Ending June 30,	Urban Renewal Note			Total		
	Issued December 12, 2018					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	4.76%	\$ 58,397	25,758	58,397	25,758	84,155
2022	4.76%	61,177	22,978	61,177	22,978	84,155
2023	4.76%	64,089	20,066	64,089	20,066	84,155
2024	4.76%	67,139	17,016	67,139	17,016	84,155
2025	4.76%	70,335	13,820	70,335	13,820	84,155
2026-2029	4.76%	219,992	20,727	219,992	20,727	240,719
		<u>\$ 541,129</u>	<u>120,365</u>	<u>541,129</u>	<u>120,365</u>	<u>661,494</u>

The obligations of the City to pay principal of and interest on the bonds are general obligations of the issuer payable from debt service tax revenues and other amounts lawfully available, all to the extent appropriated by the City Council in a fiscal year and subject to the right of the City Council not to appropriate any debt service tax revenues or other amounts lawfully available in any fiscal year.

In the event of nonappropriation by the City, the City's obligations under the bonds shall terminate and become null and void on the last day of the fiscal year for which necessary funds were appropriated and in no event shall such obligations be payable from or be recourse against any properties, assets or revenues of the issuer, the State of Iowa or any other political subdivisions of the State of Iowa and the bondholders shall not have any recourse or right of action against the issuer, the State of Iowa, or any other political subdivision thereof on account of such obligations or any liabilities, or whatsoever nature, arising in connection therewith.

The future principal and interest payment amounts identified in the annual appropriation general obligation bonds and notes column are based on the assumption that the City will appropriate funds every year to meet the above obligations. However, if the City does not appropriate funds for a year, the City's obligations in relation to the bonds and notes principal and interest shall terminate and become null and void on the last day of the fiscal year for which the necessary funds were appropriated.

On December 12, 2018, the City issued \$679,200 urban renewal note with an interest rate of 4.76%. The note was used for the payment of a portion of the outstanding debt of The Village day care center and a fee paid to Alliant Energy for the purpose of extending a natural gas line in the City's industrial Park. During the year ended June 30, 2020, the City paid \$70,221 of principal and \$29,289 of interest on the bonds.

General Obligation Annual Appropriation Bonds and Notes

A summary of the City's June 30, 2020 general obligation annual appropriation bonds and notes payable is as follows:

Year Ending June 30,	Water Series 2018 Issued November 29, 2018			Total		
	Interest		Interest	Principal	Interest	Total
	Rates	Principal				
2021	3.00%	\$ 395,000	138,188	395,000	138,188	533,188
2022	3.00%	410,000	126,113	410,000	126,113	536,113
2023	3.00%	420,000	113,663	420,000	113,663	533,663
2024	3.00%	435,000	100,838	435,000	100,838	535,838
2025	4.00%	450,000	85,313	450,000	85,313	535,313
2026-2029	3.45-4.00%	1,980,000	152,296	1,980,000	152,296	2,132,296
		<u>\$4,090,000</u>	<u>716,411</u>	<u>4,090,000</u>	<u>716,411</u>	<u>4,806,411</u>

The obligations of the City to pay principal of and interest on the bonds are general obligations of the issuer payable from debt service tax revenues and other amounts lawfully available, all to the extent appropriated by the City Council in a fiscal year and subject to the right of the City Council not to appropriate any debt service tax revenues or other amounts lawfully available in any fiscal year.

In the event of nonappropriation by the City, the City's obligations under the bonds shall terminate and become null and void on the last day of the fiscal year for which necessary funds were appropriated and in no event shall such obligations be payable from or be recourse against any properties, assets or revenues of the issuer, the State of Iowa or any other political subdivisions of the State of Iowa and the bondholders shall not have any recourse or right of action against the issuer, the State of Iowa, or any other political subdivision thereof on account of such obligations or any liabilities, or whatsoever nature, arising in connection therewith.

The future principal and interest payment amounts identified in the annual appropriation general obligation bonds and notes column are based on the assumption that the City will appropriate funds every year to meet the above obligations. However, if the City does not appropriate funds for a year, the City's obligations in relation to the bonds and notes principal and interest shall terminate and become null and void on the last day of the fiscal year for which the necessary funds were appropriated.

On November 29, 2018, the City issued \$4,475,000 of general obligation annual appropriation water bonds with interest rates ranging from 3.00% to 4.00% per annum. The bonds were issued to pay the costs of acquiring real and personal property for a waterworks reservoir project and paying certain costs of issuance related to the Bonds. During the year ended June 30, 2020, the City paid \$385,000 of principal and \$149,888 of interest on the bonds. These bonds include a provision that the City establish a Debt Service Reserve Fund of \$447,500 over the course of the life of the bonds.

Direct Borrowings - Casino Revenue Notes

A summary of the City's June 30, 2020 direct borrowings casino revenue notes payable is as follows:

Year Ending June 30,	Casino Revenue Notes Issued August 15, 2016			Casino Revenue Notes Issued August 15, 2016			Total		
	Interest			Interest					
	Rates	Principal	Interest	Rates	Principal	Interest	Principal	Interest	Total
2021	4.22%	\$ 72,783	39,466	4.22%	\$ 72,783	37,439	145,566	76,905	222,471
2022	4.22%	76,300	36,394	4.22%	76,300	34,368	152,600	70,762	223,362
2023	4.22%	79,817	33,175	4.22%	79,817	31,148	159,634	64,323	223,957
2024	4.22%	83,333	29,806	4.22%	83,333	27,780	166,666	57,586	224,252
2025	4.22%	86,850	26,290	4.22%	86,850	24,263	173,700	50,553	224,253
2026-2030	4.22%	487,000	73,504	4.22%	487,000	63,371	974,000	136,875	1,110,875
2031	4.22%	49,129	2,073	4.22%	1,105	47	50,234	2,120	52,354
		<u>\$ 935,212</u>	<u>240,708</u>		<u>\$ 887,188</u>	<u>218,416</u>	<u>1,822,400</u>	<u>459,124</u>	<u>2,281,524</u>

The City issued \$2,500,000 of casino revenue notes in August 2016 for the purpose of purchasing real estate. The notes are payable solely from revenues the City receives from the casino and the Clarke County Development Corporation. All of the revenues received are to be credited to the Special Revenue, Casino Fund. Casino receipts are generally projected to produce 100% of the debt service requirements over the life of the notes. The notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the notes is \$2,281,524, payable through June 2031. For the current year, principal and interest paid and total casino receipts were \$246,490 and \$215,144, respectively.

During the year ended June 30, 2020, based on the wording of the loan agreement, it is unclear if the City is in compliance with the Casino Revenue Notes requirements.

Sewer Revenue Bonds

A summary of the City's June 30, 2020 revenue bonds payable are as follows:

Year Ending June 30,	Sewer Revenue Refunding Bonds Issued April 29, 2020			Total		
	Interest					
	Rates	Principal	Interest	Principal	Interest	Total
2021	3.00%	\$ 300,000	135,800	300,000	135,800	435,800
2022	3.00%	310,000	126,800	310,000	126,800	436,800
2023	2.00%	315,000	117,500	315,000	117,500	432,500
2024	3.00%	325,000	108,050	325,000	108,050	433,050
2025	3.00%	335,000	101,550	335,000	101,550	436,550
2026-2030	3.00%	1,825,000	351,000	1,825,000	351,000	2,176,000
2031-2033	3.00%	1,225,000	74,250	1,225,000	74,250	1,299,250
		<u>\$4,635,000</u>	<u>1,014,950</u>	<u>4,635,000</u>	<u>1,014,950</u>	<u>5,649,950</u>

Sewer Revenue Refunding Bonds

On April 29, 2020, the City issued \$5,000,000 of Sewer Revenue Refunding Bonds. The bonds were issued to refund the outstanding balance of \$1,642,651 of the \$1,800,000 of the sewer revenue note issued on May 1, 2017 and to refund the outstanding balance of \$3,270,000 of the sewer revenue improvement and refunding note issued May 31, 2012.

The City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$163,000 on the refunding.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$5,000,000 of sewer revenue refunding bonds issued April 29, 2020. The bonds were issued for the purpose of refunding the City's outstanding sewer revenue bonds and notes dated May 31, 2012 and May 1, 2017. The bonds are payable solely and only out of the net earnings of the Sewer Utility System and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 60% of net receipts. The total principal and interest remaining to be paid on the bonds is \$5,649,950. For the current year, principal and interest paid and total customer net receipts were \$378,053 and \$631,832, respectively.

The resolutions providing for the issuance of the sewer revenue refunding bonds include the following provisions:

- (a) The bond will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (b) The City shall establish a rate to be charged to customers in order to produce gross revenues at least sufficient to pay expenses of the operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding bonds and notes due in the fiscal year.
- (c) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of the installment of principal next due shall be made to a sewer revenue bond and interest sinking account. Monies in this fund are to be used solely for the purpose of paying principal and interest on the bonds.
- (d) A sewer reserve fund shall be established and maintained in the amount of \$436,900. The reserve fund will be used for the payment of principal and interest whenever funds on deposit in the sinking fund are insufficient.
- (e) All users of the system, including the City, are required to be charged for service.

The City did not fund, on a monthly basis, the sewer revenue bond sinking account as required. Also, the City is not being charged for sewer service as required.

Interim Revenue Project Notes

On June 19, 2015, the City entered into an interest free interim revenue project note agreement with the Iowa Finance Authority for up to \$67,500 to be used for the purpose of paying costs of planning, designing and constructing improvements and extensions to the sanitary sewer system. During the year ended June 30, 2020, the City drew \$0 on this note, and as of June 30, 2020, \$67,500 is owed in relation to this note. This note is due on June 19, 2021.

On March 23, 2018, the City entered into an interest free interim revenue project note agreement with the Iowa Finance Authority for up to \$1,220,000 to be used for the purpose of paying costs of planning, designing and constructing improvements and extensions to the sanitary sewer system. During the year ended June 30, 2020, the City drew \$0 on the note, and as of June 30, 2020, \$1,210,000 is owed in relation to this note. This note is due on March 23, 2021.

On August 30, 2019, the City entered into an interest free interim revenue project note agreement with the Iowa Finance Authority for up to \$495,000 to be used for the purpose of paying costs of planning, designing and constructing improvements and extensions to the sanitary sewer system. During the year ended June 30, 2020, the City drew \$474,000 and paid off \$200,000 on the note. At June 30, 2020, \$274,000 is owed in relation to this note. This note is due on August 30, 2022.

All of these notes were issued pursuant to Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of and are payable from the proceeds of an authorized loan agreement and the corresponding issuance of sewer revenue bonds. The interim revenue project notes have a term of three years.

(4) Interfund Loan

During the year ended June 30, 2016, the General Fund paid \$82,589 for the purchase of street equipment. The Special Revenue, Road Use Tax Fund will reimburse the General Fund for this purchase at an amount of \$20,647 per year in fiscal years 2017 to 2020. A total of \$0 was paid on this interfund loan in fiscal year 2020. The balance on this loan at June 30, 2020 was \$19,942. There is no interest on this loan and as of June 30, 2020, this loan is delinquent.

(5) Termination Benefits

In October 2016, the City approved a voluntary early retirement plan for an employee. This plan was only offered to one employee whose position with the City was eliminated. The application for early retirement was subject to approval by the City Council.

In June 2019, the City approved a voluntary early retirement plan for an employee. The application for early retirement was subject to approval by the City Council.

The early retirement benefits consist of the City paying the health insurance premiums for single coverage for the employees through age 65.

At June 30, 2020, the City has obligations to two participants with a total liability of \$24,900. Actual early retirement expenditures for the year ended June 30, 2020 totaled \$12,205.

(6) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$171,720.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$798,019 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0137811%, which was a decrease of 0.000085% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$232,453, \$209,298 and \$262,298, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.

Wage growth
(effective June 30, 2017)

3.25% per annum, based on 2.60% inflation
and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global beta smart equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 1,863,352	798,019	(95,013)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(7) **Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$473,854 and plan members eligible for benefits contributed \$37,549 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>31</u>
Total	<u><u>33</u></u>

(8) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise: Sewer	<u>\$ 50,000</u>
Special Revenue: Local Option Sales Tax	General	<u>3,108</u>
Special Revenue: Road Use Tax	General	<u>125,807</u>
Special Revenue: Employee Benefits	General	470,899
	Special Revenue: Road Use Tax	<u>68,105</u>
		<u>539,004</u>
Debt Service	General	128,532
	Special Revenue: Local Option Sales Tax	543,913
	Road Use Tax	25,000
	Urban Renewal Tax Increment	<u>550,054</u>
		<u>1,247,499</u>
Capital Projects	General	11,684
	Enterprise: Sewer	<u>127,438</u>
		<u>139,122</u>
Total		<u><u>\$ 2,104,540</u></u>

(9) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory hours payable to employees at June 30, 2020, primarily relating to the General Fund is \$158,357.

The liability has been computed based on the rates of pay in effect at June 30, 2020.

(10) Employee Health Insurance Plan

The City has a group insurance policy through Wellmark which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. The City provides for an insured benefit through Wellmark with a plan deductible of \$5,000 and \$10,000 for single and family coverage, respectively. The City partially self-funds the deductibles for \$4,000 and \$8,000 for single and family coverage, respectively.

The City contracts with a Third-Party Administrator (TPA) to administer the portion of health claims self-funded by the City. Under the administrative services agreement, the City pays TPA a monthly fee to administer the program. The TPA initiates the checks to pay the medical providers for the partial self funding cost, with the checks coming out of the City's bank account. The financial activities of the employee health insurance plan are accounted for in the Internal Service, Employee Health Fund.

(11) Casino Lease

Effective February 28, 2017, the Clarke County Development Corporation (CCDC) entered into a lease agreement with HGI-Lakeside, LLC and its successors (Casino) for certain real estate surrounding West Lake and the use of the lake in the operation of a casino. Unless the Casino terminates the lease, this lease is automatically renewable by the Casino every five years, with no set expiration date.

As part of this lease, the City is to receive 1.25% of adjusted gross gambling receipts per year from CCDC. The total amount received by the City from CCDC in fiscal year 2020 in relation to this was \$481,220. The City is also receiving 0.5% of adjusted gross gambling receipts from the casino. The total amount received by the City in fiscal year 2020 in relation to this was \$200,753. In addition, the City is also receiving an additional 0.5% of adjusted gross gambling receipts from CCDC. The total amount received by the City in fiscal year 2020 in relation to this was \$215,144.

(12) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(13) Deficit Balances

The Special Revenue, Employee Benefits Fund had a deficit balance of \$51,030 at June 30, 2020. The deficit balance was the result of spending more in this fund than the related receipts received by this fund. This deficit will be eliminated through the collection of future property taxes.

The Special Revenue, Casino Fund had a deficit balance of \$169,246 at June 30, 2020. The deficit balance was a result of casino receipts which were less than the related monies disbursed from this fund. The deficit will be eliminated upon receipt of future casino receipts.

The Enterprise, Golf Course Fund had a deficit balance of \$32,881 at June 30, 2020. The deficit balance was a result spending more from this fund than the related receipts received by this fund. The City is currently exploring alternative to eliminate the deficit in this fund.

(14) Development Agreements

The City has entered into various rebate agreements to assist in certain urban renewal projects. The agreements require the City to either rebate portions of the incremental property tax paid by the developer in exchange for the construction of buildings and certain infrastructure improvements or provide for an economic development grant to the developers.

The total amount rebated during the year ended June 30, 2020 was \$106,235. At June 30, 2020, the remaining balance to be paid on these agreements were \$2,238,355 and the amount appropriated for payment in the next fiscal year is \$672,409.

These agreements are not a general obligation of the City. In addition, the agreements are not subject to the constitutional debt limitation of the City because these agreements are subject to annual appropriation by the City Council.

(15) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, \$31,581 of property tax was diverted from the City under the urban renewal and economic development agreements.

(16) Contingency

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(17) Commitments

The City has entered into an agreement with the Waterworks for sewer and garbage billing services. The City agrees to pay the Waterworks \$1,600 per month for fiscal years 2020-2021.

The City entered into an agreement with a private contractor for residential solid waste collection. The agreement is through October 31, 2022. The amount paid to the contractor by the City is a set amount per household and can be increased each year by the change in the consumer price index. In addition, the amount paid to the contractor can also be increased if the dumping fees at the landfill are increased. The total amount paid to the private contractor by the City for residential solid waste collection was \$383,822 in fiscal year 2020.

The City pays its local option sales tax receipts to the Clarke County Reservoir Commission (Commission). The City will pay the Commission all of its local option sales tax receipts until all the debt incurred by the Commission is fully paid. The total local option sales tax receipts paid by the City to the Commission totaled \$167,025 in fiscal year 2020. However, at June 30, 2020, the City owes the Commission \$283,461 in local option sales taxes.

The City has entered into a agreement for engineering services for the airport. As of June 30, 2020, approximately \$52,000 remains to be paid on this contract. This work will be paid for as work progresses in fiscal year 2021. The City intends to pay for this cost from existing cash reserves.

The City made a commitment in fiscal year 2020 to borrow \$2,500,000 from a General Fund loan agreement. As of June 30, 2020, the City had not borrowed any funds from this loan.

In fiscal year 2020, the City made a commitment to borrow \$340,000 from a general obligation loan. As of June 30, 2020, the City had not borrowed any funds from this loan.

(18) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Osceola, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Osceola. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Osceola's operations and finances.

(19) Subsequent Events

The City has evaluated all subsequent events through February 15, 2021, the date the financial statements were available to be issued.

In July 2020, the City entered into an agreement with a contractor \$417,328. This project is for rehabilitation of the airport runway, taxiway and apron. It is anticipated this project will be completed in fiscal year 2021, and payments will be made on this project as costs are incurred. The City intends to pay for this cost from borrowed funds.

In December 2020, the City issued \$8,125,000 of general obligation corporate purpose and refunding bonds, Series 2020. The monies from this bond will be used for infrastructure improvements, refunding a previous debt issue and to pay the costs of issuance of the bonds.

(20) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Other Information

City of Osceola
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	(Unaudited) Component Unit Osceola Municipal Waterworks			Total	Budgeted Amounts Final	Final to Total Variance
				Less Funds not Required to be Budgeted					
				Actual	Required to be Budgeted				
					Net				
Receipts:									
Property tax	\$ 2,697,203	-	-	-	-	-	2,697,203	2,567,856	129,347
Tax increment financing	657,792	-	-	-	-	-	657,792	667,631	(9,839)
Other city tax	2,264,361	-	-	-	-	-	2,264,361	2,508,775	(244,414)
Licenses and permits	97,237	-	-	-	-	-	97,237	59,000	38,237
Use of money and property	83,629	40,570	8	226,785	-	226,785	350,976	6,000	344,976
Intergovernmental	1,041,322	200,000	-	-	-	-	1,241,322	2,526,755	(1,285,433)
Charges for service	601,043	2,013,089	550,157	3,676,843	1,937,167	1,739,676	3,803,651	4,630,575	(826,924)
Special assessments	-	-	-	-	-	-	-	20,000	(20,000)
Miscellaneous	556,632	166,173	21,357	158,729	-	158,729	860,177	258,000	602,177
Total receipts	7,999,219	2,419,832	571,522	4,062,357	1,937,167	2,125,190	11,972,719	13,244,592	(1,271,873)
Disbursements:									
Public safety	1,457,824	149,752	149,752	-	-	-	1,457,824	1,504,815	46,991
Public works	1,600,364	68,105	68,105	-	-	-	1,600,364	1,360,805	(239,559)
Culture and recreation	790,825	49,871	49,871	-	-	-	790,825	927,934	137,109
Community and economic development	441,582	15,087	15,087	-	-	-	441,582	237,475	(204,107)
General government	1,031,180	181,985	181,985	-	-	-	1,031,180	721,837	(309,343)
Debt service	2,459,081	-	-	-	-	-	2,459,081	2,399,568	(59,513)
Capital projects	2,589,483	-	-	-	-	-	2,589,483	15,737,323	13,147,840
Business type activities	-	6,837,572	67,497	4,261,454	1,937,232	2,324,222	9,094,297	3,601,041	(5,493,256)
Total disbursements	10,370,339	7,302,372	532,297	4,261,454	1,937,232	2,324,222	19,464,636	26,490,798	7,026,162
Excess (deficiency) of receipts over (under) disbursements	(2,371,120)	(4,882,540)	39,225	(199,097)	(65)	(199,032)	(7,491,917)	(13,246,206)	5,754,289
Other financing sources, net	671,970	5,032,643	-	-	(18,147)	18,147	5,722,760	12,500,000	(6,777,240)
Change in fund balances	(1,699,150)	150,103	39,225	(199,097)	(18,212)	(180,885)	(1,769,157)	(746,206)	(1,022,951)
Balances beginning of year	4,805,132	863,645	13,998	1,534,732	18,212	1,516,520	7,171,299	6,658,771	512,528
Balances end of year	\$ 3,105,982	1,013,748	53,223	1,335,635	-	1,335,635	5,402,142	5,912,565	(510,423)

See accompanying independent auditor's report.

City of Osceola

Notes to Other Information - Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year there were no budget amendments.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public works, community and economic development, general government, debt service and business type activities functions.

City of Osceola

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*
(In Thousands)

Other Information

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.013781%	0.013866%	0.014228%	0.014847%	0.013740%	0.011625%
City's proportionate share of the net pension liability	\$ 798	877	948	934	679	461
City's covered payroll	\$ 1,780	1,643	1,654	1,618	1,559	1,522
City's proportionate share of the net pension liability as a percentage of its covered payroll	44.83%	53.38%	57.32%	57.73%	43.55%	30.29%
IPERS' net position as a percentage of the total pension liability.	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Osceola

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 172	173	152	153	150	146	142	153	153	124
Contributions in relation to the statutorily required contribution	(172)	(173)	(152)	(153)	(150)	(146)	(142)	(153)	(153)	(124)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 1,786	1,780	1,643	1,654	1,618	1,559	1,522	1,673	*	*
Contributions as a percentage of covered payroll	9.63%	9.72%	9.25%	9.25%	9.27%	9.36%	9.33%	9.15%	*	*

* - City's covered employee payroll information was not readily available. Therefore, contributions as a percentage of covered employee payroll could not be calculated.

See accompanying independent auditor's report.

City of Osceola

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of Osceola

Schedule 1

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue						Permanent		
	Library	Employee Benefits	Airport	Casino	Urban Renewal Tax Increment	Police Forfeiture	Cemetery Perpetual Care	Library	Total
Receipts:									
Property tax	\$ -	\$ 125,604	-	-	-	-	-	-	125,604
Tax increment financing	-	-	-	-	657,792	-	-	-	657,792
Other city tax	-	-	-	215,144	-	-	-	-	215,144
Use of money and property	21	-	-	-	-	35	-	-	56
Miscellaneous	13,526	100,703	-	-	-	463	-	-	114,692
Total receipts	13,547	226,307	-	215,144	657,792	498	-	-	1,113,281
Disbursements:									
Operating:									
Public safety	-	272,880	-	-	-	424	-	-	273,304
Public works	-	110,524	-	-	-	-	-	-	110,524
Culture and recreation	55,159	105,488	-	-	-	-	142	5	160,794
Community and economic development	-	23,867	-	-	106,235	-	-	-	130,102
General government	-	252,220	-	-	-	-	-	-	252,220
Debt service	-	-	-	246,490	-	-	-	-	246,490
Total disbursements	55,159	764,979	-	246,490	106,235	424	142	5	1,173,395
Excess (deficiency) of receipts over (under) disbursements	(41,612)	(538,672)	-	(31,346)	551,557	74	(142)	(5)	(60,114)
Other financing sources (uses):									
Transfers in	-	539,004	-	-	-	-	-	-	539,004
Transfers out	-	-	-	-	(550,054)	-	-	-	(550,054)
Total other financing sources (uses)	-	539,004	-	-	(550,054)	-	-	-	(11,050)
Change in cash balances	(41,612)	332	-	(31,346)	1,503	74	(142)	(5)	(71,288)
Cash balances beginning of year	295,913	(51,362)	694	(137,900)	149,965	28,763	106,382	1,760	394,255
Cash balances end of year	\$ 254,301	(51,030)	694	(169,246)	151,468	28,837	106,240	1,755	323,067
Cash Basis Fund Balances									
Nonspendable:									
Cemetery perpetual care	\$ -	-	-	-	-	-	106,240	-	106,240
Library	-	-	-	-	-	-	-	1,755	1,755
Restricted for:									
Tax increment financing	-	-	-	-	151,468	-	-	-	151,468
Library	254,301	-	-	-	-	-	-	-	254,301
Other purposes	-	-	694	-	-	28,837	-	-	29,531
Unassigned	-	(51,030)	-	(169,246)	-	-	-	-	(220,276)
Total cash basis fund balances	\$ 254,301	(51,030)	694	(169,246)	151,468	28,837	106,240	1,755	323,067

See accompanying independent auditor's report.

City of Osceola

Schedule 2

Schedule of Indebtedness

Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes:									
Refunding	November 30, 2011	0.65 to 2.10%	\$ 3,360,000	500,000	-	500,000	-	10,500	-
Corporate Purpose and Refunding, Series 2014	June 17, 2014	2.00 to 2.75%	4,035,000	2,170,000	-	475,000	1,695,000	46,275	-
Corporate Purpose and Refunding, Series 2015	November 19, 2015	2.00 to 2.50%	3,005,000	2,190,000	-	360,000	1,830,000	47,735	-
Corporate Purpose and Refunding, Series 2019	June 28, 2019	2.10 to 4.00%	1,665,000	1,665,000	-	90,000	1,575,000	45,908	-
Total				<u>\$ 6,525,000</u>	<u>-</u>	<u>1,425,000</u>	<u>5,100,000</u>	<u>150,418</u>	<u>-</u>
General Obligation Annual Appropriation Bonds and Notes:									
Water, Series 2018	November 29, 2018	3.00 to 4.00%	\$ 4,475,000	4,475,000	-	385,000	4,090,000	149,888	-
Urban Renewal Note	December 12, 2018	4.76%	679,200	611,350	-	70,221	541,129	29,289	-
Total				<u>\$ 5,086,350</u>	<u>-</u>	<u>455,221</u>	<u>4,631,129</u>	<u>179,177</u>	<u>-</u>
Sewer Revenue Bonds and Notes:									
Sewer Revenue Improvement and Refunding	May 31, 2012	0.60 to 3.25%	\$ 4,700,000	3,270,000	-	3,270,000	-	90,854	-
Sewer Revenue Note	May 1, 2017	2.27 to 3.125%	1,800,000	1,642,651	-	1,642,651	-	33,974	-
Sewer Revenue Refunding Bonds	April 29, 2020	2.00-3.00%	5,000,000	-	5,000,000	365,000	4,635,000	13,053	-
Total				<u>\$ 4,912,651</u>	<u>5,000,000</u>	<u>5,277,651</u>	<u>4,635,000</u>	<u>137,881</u>	<u>-</u>
Casino Revenue Notes:									
Casino Revenue Note	August 15, 2016	4.22%	\$ 1,250,000	1,007,479	-	72,267	935,212	64,495	-
Casino Revenue Note	August 15, 2016	4.22%	1,250,000	956,455	-	69,267	887,188	40,461	-
Total				<u>\$ 1,963,934</u>	<u>-</u>	<u>141,534</u>	<u>1,822,400</u>	<u>104,956</u>	<u>-</u>
Interim Revenue Project Notes:									
Sewer	June 19, 2015	0.00%	\$ 67,500	67,500	-	-	67,500	-	-
Sewer	March 23, 2018	0.00%	1,220,000	1,210,000	-	-	1,210,000	-	-
Sewer	August 30, 2019	0.00%	495,000	-	474,000	200,000	274,000	-	-
Total				<u>\$ 1,277,500</u>	<u>474,000</u>	<u>200,000</u>	<u>1,551,500</u>	<u>-</u>	<u>-</u>

See accompanying independent auditor's report.

City of Osceola

Schedule 3

Bond and Note Maturities

June 30, 2020

Year Ending June 30,	General Obligation Bonds and Notes						General Obligation Annual Appropriation Bonds and Notes					
	Corporate Purpose and Refunding, Series 2014		Corporate Purpose and Refunding, Series 2015		Corporate Purpose and Refunding, Series 2019		Water, Series 2018			Urban Renewal Note		
	Issued June 17, 2014		Issued November 19, 2015		Issued June 28, 2019		Issued November 29, 2018			Issued December 12, 2018		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	Interest Rates	Amount	Interest Rates	Amount	Total
2021	2.00%	\$ 480,000	2.00%	\$ 365,000	3.00%	\$ 100,000	945,000	3.00%	\$ 395,000	4.76%	\$ 58,397	453,397
2022	2.00%	495,000	2.00%	370,000	3.00%	100,000	965,000	3.00%	410,000	4.76%	61,177	471,177
2023	2.25%	505,000	2.50%	375,000	3.00%	100,000	980,000	3.00%	420,000	4.76%	64,089	484,089
2024	2.75%	105,000	2.10%	385,000	3.00%	100,000	590,000	3.00%	435,000	4.76%	67,139	502,139
2025	2.75%	110,000	2.50%	165,000	2.10%	105,000	380,000	4.00%	450,000	4.76%	70,335	520,335
2026	-	-	2.50%	170,000	2.10%	105,000	275,000	4.00%	465,000	4.76%	73,683	538,683
2027	-	-	-	-	2.10%	110,000	110,000	4.00%	485,000	4.76%	77,191	562,191
2028	-	-	-	-	2.10%	110,000	110,000	4.00%	505,000	4.76%	69,118	574,118
2029	-	-	-	-	4.00%	115,000	115,000	3.45%	525,000	-	-	525,000
2030	-	-	-	-	4.00%	120,000	120,000	-	-	-	-	-
2031	-	-	-	-	4.00%	120,000	120,000	-	-	-	-	-
2032	-	-	-	-	3.00%	125,000	125,000	-	-	-	-	-
2033	-	-	-	-	3.00%	130,000	130,000	-	-	-	-	-
2034	-	-	-	-	3.00%	135,000	135,000	-	-	-	-	-
		\$ 1,695,000		\$ 1,830,000		\$ 1,575,000	5,100,000		4,090,000		\$ 541,129	4,631,129

Sewer Revenue Bonds			
Sewer Revenue Refunding Bonds Issued April 29, 2020			
Year Ending June 30,	Interest Rates	Amount	Total
2021	3.00%	\$ 300,000	300,000
2022	3.00%	310,000	310,000
2023	2.00%	315,000	315,000
2024	3.00%	325,000	325,000
2025	3.00%	335,000	335,000
2026	3.00%	345,000	345,000
2027	3.00%	355,000	355,000
2028	3.00%	365,000	365,000
2029	3.00%	375,000	375,000
2030	3.00%	385,000	385,000
2031	3.00%	395,000	395,000
2032	3.00%	410,000	410,000
2033	3.00%	420,000	420,000
		<u>\$ 4,635,000</u>	<u>4,635,000</u>

Casino Revenue Notes				
Casino Revenue Issued August 15, 2016				
Interest Rates	Amount	Interest Rates	Amount	Total
4.22%	\$ 72,784	4.22%	\$ 72,783	145,567
4.22%	76,300	4.22%	76,300	152,600
4.22%	79,816	4.22%	79,817	159,633
4.22%	83,334	4.22%	83,333	166,667
4.22%	86,850	4.22%	86,850	173,700
4.22%	90,366	4.22%	90,367	180,733
4.22%	93,884	4.22%	93,883	187,767
4.22%	97,400	4.22%	97,400	194,800
4.22%	100,916	4.22%	100,917	201,833
4.22%	104,434	4.22%	104,434	208,868
4.22%	1,105	4.22%	49,127	50,232
-	-	-	-	-
	<u>\$ 887,189</u>		<u>\$ 935,211</u>	<u>1,822,400</u>

See accompanying independent auditor's report.

City of Osceola

Schedule 4

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Receipts:										
Property tax	\$ 2,697,203	2,694,304	2,697,047	2,625,324	2,548,227	2,485,444	2,406,299	2,315,379	2,226,483	1,892,950
Tax increment financing	657,792	582,855	551,829	490,686	544,963	587,337	536,385	640,381	895,130	1,781,622
Other city tax	2,264,361	2,300,750	2,382,601	2,368,307	2,338,293	2,320,501	2,151,746	1,972,307	1,999,273	1,757,377
Licenses and permits	97,237	62,111	102,459	33,991	62,952	89,559	59,612	126,530	90,066	74,672
Use of money and property	83,629	76,752	64,047	53,779	51,149	58,302	52,781	20,271	35,812	120,671
Intergovernmental	1,041,322	801,393	1,329,718	697,830	1,864,382	2,265,556	674,301	849,000	547,428	1,277,390
Charges for service	601,043	610,242	612,605	646,063	663,438	630,637	534,780	571,809	649,790	496,799
Special assessments	-	-	-	23,285	-	-	-	-	-	-
Miscellaneous	556,632	340,914	284,469	156,321	366,477	418,597	94,706	58,618	105,545	249,634
Total	\$ 7,999,219	7,469,321	8,024,775	7,095,586	8,439,881	8,855,933	6,510,610	6,554,295	6,549,527	7,651,115
Disbursements:										
Operating:										
Public safety	\$ 1,457,824	1,342,863	1,211,596	1,852,723	1,218,936	1,198,303	1,140,064	1,102,342	993,430	925,005
Public works	1,600,364	1,541,915	1,296,449	1,503,211	1,484,738	1,343,162	1,273,154	1,083,128	1,158,217	1,516,706
Culture and recreation	790,825	870,278	863,091	924,687	902,618	813,069	791,516	744,244	770,405	724,842
Community and economic development	441,582	904,269	1,188,032	1,256,502	1,242,204	1,512,821	1,432,539	5,066,991	1,497,676	1,261,826
General government	1,031,180	1,657,502	840,555	790,769	890,592	682,897	645,175	791,599	811,127	666,588
Debt service	2,459,081	2,940,041	1,715,005	5,739,278	1,417,707	1,456,870	1,458,333	1,478,480	1,541,536	1,547,240
Capital projects	2,589,483	2,420,876	3,030,701	2,111,459	5,102,454	2,557,642	1,090,797	1,546,448	1,248,400	2,785,860
Total	\$ 10,370,339	11,677,744	10,145,429	14,178,629	12,259,249	9,564,764	7,831,578	11,813,232	8,020,791	9,428,067

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Osceola, Iowa (City) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 15, 2021. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the Osceola Public Library Foundation, Osceola Volunteer Firefighter's Association and the Osceola Municipal Waterworks.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items I-A-20, I-B-20, I-C-20 and I-F-20 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items I-D-20 and I-E-20 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


FALLER, KINCHELOE & CO., PLC

February 15, 2021

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one or two individuals have control over each of the following areas for the City:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Inventory – recording and reconciling.
- 4) Long-term debt – recording and reconciling.
- 5) Receipts – collecting, depositing, posting and reconciling.
- 6) Accounting system – performing all general accounting functions and having custody of City assets.
- 7) Disbursements – preparing checks, signing checks and access to the accounting records.
- 8) Petty cash – custody, reconciling and recording.
- 9) Payroll – recordkeeping, preparation and distribution.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The City will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

I-B-20 Preparation of Financial Statements

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

City of Osceola

Schedule of Findings

Year Ended June 30, 2020

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response - These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with an other comprehensive basis of accounting.

Conclusion - Response acknowledged.

I-C-20 Material Adjustments

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition - We noted that various interfund transfers were not properly recorded and that some receipts were recorded as negative disbursements. Commercial/Industrial Replacement Claim Payments were not properly classified on the accounting system. In addition, transactions in the Internal Service, Employee Health Fund were not properly recorded. Also, material debt receipts and disbursement amounts were not recorded on the accounting system.

Cause - City policies do not require and procedures have not been established to provide for an independent review of receipts and disbursements to ensure the City's financial statements are accurate.

Effect - Lack of City policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the City's financial statements were necessary.

Recommendation - The City should establish procedures to ensure all receipts and disbursements are properly recorded and reported in the City's financial statements.

Response - The City will attempt to implement this recommendation.

Conclusion - Response acknowledged.

bank within 2-3 days after receipt.

Cause – City policies do not require and procedures have not been established to ensure all receipts are deposited timely.

Effect – Lack of City policies and procedures resulted in City employees not depositing timely.

Recommendation – The City should establish procedures to ensure all receipts are deposited timely, preferably on a daily basis.

Response – We will attempt to implement this recommendation.

Conclusion – Response acknowledged.

I-E-20 Chart of Accounts

Criteria – An effective internal control system provides for internal controls related to accurate and complete financial reporting.

Condition – The City has not fully implemented the recommended Uniform Chart of Accounts for Iowa City Governments approved by the City Finance Committee.

Cause – City policies and procedures have not been established to require the use of the Uniform Chart of Accounts.

Effect – Not using a uniform chart account could result in inaccurate or incomplete financial reporting.

Recommendation – To provide better financial information and control, the City should establish policies and procedures to require the use of the recommended Uniform Chart of Accounts, or its equivalent.

Response – We will look at implementing a chart of accounts for the City.

Conclusion – Response acknowledged.

I-F-20 Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts and investments.

Condition – Although monthly bank reconciliations were prepared for individual bank accounts and investments, the reconciliations are not complied to show a complete reconciliation of all accounts with the general ledger.

City of Osceola

Schedule of Findings

Year Ended June 30, 2020

Cause – Policies have not been established and procedures have not been implemented to prepare a complete bank reconciliation of all accounts and investments.

Effect – Lack of performing and maintaining bank reconciliations could result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. Procedures should be established to ensure all financial reports reconcile and include all City activity.

Response – The City will establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, will be reviewed and resolved timely. Procedures will be established to ensure all financial reports reconcile and include all City activity.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

II-A-20 Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the public works, community and economic development, general government, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

II-B-20 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-20 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-20 Business Transactions – No business transactions between the City and City officials or employees were noted.

II-E-20 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-20 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

II-G-20 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

II-I-20 Sewer Revenue Bonds and Notes – The following instances of non-compliance with the sewer revenue bond and note resolutions were noted.

- The sewer revenue bond and note resolutions require all users of the system, including the City, be charged for usage. The City is not currently charged for sewer usage.
- The sewer revenue bond and note resolutions require the City to make sufficient monthly transfers to a separate sewer revenue bond and note sinking account for the purpose of making the bond and note principal and interest payments when due. The City did not fund the sewer revenue bond and note sinking account each month as required.

Recommendation – The City should ensure all City departments pay for sewer usage and should make transfers to the sewer revenue bond and note sinking account for the purpose of making the bond and note principal and interest payments when due.

City of Osceola

Schedule of Findings

Year Ended June 30, 2020

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-J-20 Legal Disbursements – The City paid \$60,000, or \$5,000 a month to its City Attorney in fiscal year 2020. The City Attorney does not provide invoices or detail to the City documenting the services provided by the City Attorney to the City.

Recommendation – The City should ensure a written agreement is in place between the City and City Attorney, and adequate detail is provided to the City in relation to work performed by the City Attorney for the City.

Response – We will request this information from the City Attorney.

Conclusion – Response acknowledged.

- II-K-20 Financial Condition – The Special Revenue, Employee Benefits Fund had a deficit balance of \$51,030 at June, 30, 2020. The Special Revenue, Casino Fund had a deficit balance of \$169,246 at June 30, 2020. The Enterprise, Golf Course Fund had a deficit balance of \$32,881 at June 30, 2020.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – This will be implemented in fiscal year 2021.

Conclusion – Response acknowledged.

- II-L-20 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, to the Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – The City should ensure outstanding obligations are reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-M-20 Disbursements – The City of Osceola receives gaming receipts from the Casino. The City then pays the Cities of Murray and Woodburn a percentage of these gaming receipts. There is no written documentation as to the public purpose of this distribution to these entities.

Recommendation – The City should implement procedures to ensure that public purpose is documented prior to the distribution of the gaming receipts to the Cities of Murray and Woodburn.

Response – We will review this and take appropriate action.

Conclusion – Response acknowledged.

- II-N-20 Property/Liability Insurance – The City levies a tax to pay for liability insurance coverage. The proceeds of this tax are used to pay all the costs associated with liability insurance coverage. The costs incurred by the sewer operations for liability insurance coverage have been included in the tax levy for liability insurance coverage.

City of Osceola

Schedule of Findings

Year Ended June 30, 2020

Recommendation – Costs incurred for liability insurance coverage for the sewer operations should be charged to those funds and not be included in the tax levy.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-O-20 Payroll – An instance was noted where one employee timecard was not signed and approved by a supervisor.

It was noted that the City subjects elected officials and volunteer firemen to unemployment. It appears these types of employees are exempt from unemployment.

Recommendation – The City should implement procedures to ensure all timecards are signed and approved by a supervisor. In addition, the City should determine whether elected officials and volunteer firemen are subject to unemployment.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

- II-P-20 Interfund Transfers – Interfund transfers were not passed by resolution as required by Iowa Administrative Code Section 545-2.1.

Recommendation – The City should implement procedures to ensure compliance with the State of Iowa requirements in relation to interfund transfers.

Response – This provision was new in fiscal year 2019. We will implement this recommendation in the future.

Conclusion – Response acknowledged.

- II-Q-20 Casino Revenue Notes – The loan agreement in relation to the casino revenue notes requires that all revenues received by the City from the agreements with the operators of the casino and the Clarke County Development Corporation shall be set aside into a separate and special fund. Furthermore, this loan agreement further states that this separate and special fund shall be used to pay the principal of and interest on the Casino Revenue Notes.

Currently, the City only credits part, but not all, of the revenues received from these agreements to the separate and special fund. Based on the wording of the loan agreement, it is unclear if the City is in compliance with the Casino Revenue Notes requirements.

Recommendation – The City should consult legal counsel to determine the proper disposition of the revenues received by the City from the agreements with the operators of the casino and the Clarke County Development Corporation.

Response – We will consult with our attorney in relation to this.

Conclusion – Response acknowledged.

- II-R-20 Employee Benefits – The City currently pays for its unemployment benefit costs and workers' compensation insurance premium costs from the liability levy tax, pursuant to Chapter 384.12 (17) of the Code of Iowa. However, the City should pay for these costs from the employee benefits levy, as required by Iowa Administrative Code 545-4.1(384).

City of Osceola

Schedule of Findings

Year Ended June 30, 2020

Recommendation – Unemployment benefit costs and workers' compensation insurance premium costs should be paid from the employee benefits levy, as required by the Iowa Administrative Code.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-S-20 Tax Increment Financing (TIF) Disbursements – Our review noted that the City overpaid the developers the TIF rebate amounts. Specifically, the City did not reduce the amount paid to the developers by the excluded levy amounts, as required in the TIF development agreement.

Recommendation – The City should implement procedures to ensure the amount paid to the developers agrees to the terms of the development agreements.

Response – We will review this and make changes as necessary.

Conclusion – Response acknowledged.

- II-T-20 Annual Urban Renewal Report AURR – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1. However, it appears the debt amounts reported on the Levy Authority Summary page do not agree with the City's records.

Recommendation – The City should ensure the debt amounts reported on the Levy Authority Summary of the AURR agree with the City's accounting records.

Response – These items will be corrected on next year's report.

Conclusion – Response acknowledged.